

JFMIP NEWS

A Newsletter for Government Financial Managers

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JFMIP Honors Senior Financial Officials

The Joint Financial Management Improvement Program (JFMIP) presented its awards for distinguished leadership in financial management improvement to three recipients on March 25, 1998. This year's award recipients of the Donald L. Scantlebury Memorial Awards are:

- Debra L. Hines, Assistant Commissioner, Bureau of Public Debt, U.S. Department of the Treasury,
- Lana Hurdle, Chief Financial Officer, Peace Corps, and
- Mark Murray, formerly Director, Department of Management and Budget, State of Michigan.

The awards were presented by James Hinchman, Acting Comptroller General of the United States, General

Accounting Office (GAO), and G. Edward DeSeve, Acting Deputy Director for Management, Office of Management and Budget (OMB), at the JFMIP 27th Annual Financial Management Conference in Washington, DC. The Scantlebury Awards are given annually to public sector leaders who contributed significantly in financial management improvements over a number of years. The award honors the former Chief Accountant of the GAO and JFMIP Steering Committee member, who left a career legacy of improved financial management practices in the Federal government.

Debra Hines was recognized for her exceptional and sustained leadership in directing and continuously improving a unique accounting operation, her success in relocating and streamlining Public Debt's accounting operations, improving financial management, and increasing customer service. The Office of Public

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Audit of the First Consolidated Financial Statements of the United States Government

On March 31, 1998, the General Accounting Office (GAO) published the first audit of the consolidated financial statements of the United States Government prepared by the Department of the Treasury. These financial statements, referred to as the consolidated, or governmentwide statements, cover the year ending September 30, 1997. The financial statements and their audit are required by the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994 (GMRA).

Highlights of the Audit

In conducting the first governmentwide audit, the GAO was unable to issue an opinion because of several problems with the government's financial statements. Some of the major issues are as follows:

Property, Plant, and Equipment (PP&E) - getting a complete inventory of property owned, valuing property

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JFMIP Objectives, Strategies, and Performance Goals

The role of the JFMIP is to be a key facilitator in shaping and coordinating central agency policies and tools, conducting special reviews, and serving as a catalyst for action.

Key focus areas for JFMIP include:

- developing and maintaining up-to-date financial management systems requirements
- reengineering the testing and certification processes and creating an open knowledge base, with information available on the functional, design and performance characteristics of certified core financial management systems software
- improving communication through more effective use of WEB based communication tools and
- improving support of financial management human resource development, recruitment and retention.



Karen Cleary Alderman

Starting with this issue of the *JFMIP News*, we will identify JFMIP's key objectives, strategies, and goals and report the progress against these goals. This is in keeping with the spirit and intent of the Government Performance and Results Act to make Government programs accountable in terms of results.

Developing and Maintaining Financial Systems Requirements

The Federal Financial Management Improvement Act (FFMIA) of 1996 mandates that agencies implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General

Ledger (SGL) at the transaction level. In short, the FFMIA codified the JFMIP financial system requirements as a key benchmark that agencies have to meet. The Chief Financial Officers (CFO) Council's top priority of improving Federal financial systems included major strategies and goals to:

- Standardize information,
- Use electronic data interchange,
- Expand the scope and number of accounting utilities, and
- Use commercial off-the-shelf (COTS) software and transaction processing services.

Although JFMIP activities serve all these goals, our principal emphasis is on the third goal: greater use of COTS software products that meet the requirements of Federal financial management systems. Effective communication of system requirements to the private sector software vendors is essential to achieving the CFO strategy. In the JFMIP, the financial systems architecture identifies core financial system, managerial cost accounting, and 13 subsidiary financial systems. System requirements have been issued for core, managerial cost accounting, and 6 of the 13 subsidiary systems. Of those that have been issued, Travel, Payroll/Personnel, and Seized/Forfeited Assets were issued in 1993 or earlier, and need to be updated for significant changes in law, regulations, and accounting standards.

The JFMIP staff is working under the direction of its Steering Committee to orchestrate the update of existing systems requirements and the development of new system requirements. The GSA is taking the lead for updating travel management system requirements. The CFO Council Financial Systems Committee and JFMIP are jointly updating payroll requirements to complement the personnel requirements defined through the work produced in 1997 under the Office Personnel Management sponsored Human Resources Technology Council (HRTC). We expect that the Travel and Personnel/Payroll system requirements will be updated and issued during the summer of 1998. The

Departments of Justice and Treasury have been asked to lead a review to update the Seized/Forfeited Assets System requirements. The Federal Credit Policy Working Group and the Office of Management and Budget will be asked to review the Direct and Guaranteed Loans System Requirements for their currency. The balance of existing requirements—core, managerial cost accounting and inventory are up-to-date.

There are seven functional areas where requirements need to be developed. These include grants, benefit payments, acquisition, property management, revenue, insurance claims, and budget formulation. By the end of summer, efforts will be underway to develop and issue system requirements in grants, benefit payments, acquisition, and property management. By completing these requirements, we will provide a framework that agencies and private sector vendors can use to offer "enterprise" solutions to system requirements.

Reengineering the Testing and Certification Process for Core Financial Systems Software

The Fiscal Year 1999 President's Budget includes provision to establish a Program Management Office (PMO) under the direction of the JFMIP to improve the quality and reduce the costs of procuring and implementing Federal Financial Management Systems Software (FMSS) schedule. The goals of reengineering the FMSS process are to:

- improve the quality of core financial systems software through communicating to vendors what functions/attributes should be in products. At a minimum the requirements would be categorized as mandatory and desirable, testing of COTS products available from vendors, testing of custom-designed products and COTS products which have been customized by agencies and are subsequently being made available to other Federal agencies on a franchising or cross-servicing basis, and upgrading and clarification of requirements.

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VISION TO REALITY: Change, Implementation and Results

JFMIP 27th Annual Financial Management Conference

**March 25, 1998
Washington Hilton
and Towers Hotel**

environment, the technology advances that change the way we work, and the concept of old work versus new work.

The new approach to employment is to get results not just go to a job. Job security is a thing of the past. We can expect "creative destruction" — the abolition of 30 million jobs in the next few years and the creation of 40 million more different jobs. We can only maintain employability by being good at core skills and developing value added skills that deliver

results. As the workplace becomes a place of constant learning, on-the-job training will replace most training courses.

Communication today is better and cheaper than ever before, and this is changing the way we work. GSA employees have been given access to the Internet and this is a big change. Now GSA has wireless connections to vendors and customers, and decisions can be made faster and better. With these and other emerging technological advances, organizations will be different. Office buildings will no longer be the organization and space will become a tool.

Work itself is changing. GSA management and staff plans how work can be done to get results. For example, old work at GSA was procurement; the new work is shopping. GSA would like to give the Federal government the same options that Federal government buyers have. Some of the options GSA is working on include: electronic commerce using the Internet, credit cards, smart cards, and electronic payments. These tools will make buying easier for Federal agencies. The challenge is to continue to be open to technology changes.

Mr. Barram challenged financial managers in the Federal government to think and live in real time. He stated that financial managers' perception of risk and control must change as we abandon the need to find pennies. Financial managers need to help organizations make investment decisions by providing accurate, timely information to the front lines.

Mr. Barram challenged all Federal employees to be innovative and implement new ideas to get the work done faster and better. □

Keynote Address by John Koskinen

Assistant to the President and Chair, President's Council on the Year 2000 Conversion

The President's Council on the Year 2000 Conversion was established with both the President and Vice President's strong commitment to focus on resolving Year 2000 issues. Mr. Koskinen's address focused on the steps Federal agencies should be taking to ensure they are prepared for the coming of the Year 2000. This new Council also has Congressional support to participate in its efforts.



Mr. Koskinen stated that Year 2000 conversion and other information technology issues are management problems, not information technology problems. A key step to addressing the Year 2000 problem is to get the top person of any organization to ask "Do we have a problem?" If that person has a problem then you are on your way to fixing it. If the question isn't asked then you do have a problem. The Councils job is to ensure that the question is asked. We don't want to say, "Wish I thought of that." on January 3, 2000.

How the Year 2000 issue should be dealt with was discussed at length. A major concern is how we get our arms around it. The base inclination is to establish an interagency council to address this issue. However, it is hard to do this within the Federal government, not to mention

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Keynote Address by David Barram

GSA Administrator

At the JFMIP Conference on March 25, 1998, Administrator at the General Services Administration (GSA), David Barram challenged government financial managers to think in a circle as we deal with the complexities of work in the future. We are now within two years of the 21st century and have moved to a new paradigm. The dominance of change is key to what is coming in the 21st century. It may seem to have had little impact on our lives, however, the challenges have begun. These challenges include the redefinition of the workplace, work, and relationships with our customers. The Federal government must view their customers differently to succeed; the customer has to be at the heart, and everyone in the chain needs to think how they can support the customer. Mr. Barram focused on three interrelated ideas: getting the skills we need to succeed in a fluid



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globally. The approach taken is to harness the existing momentum of interagency groups such as the Chief Information Officers (CIO) Council and the President's Council on Integrity and Efficiency (PCIE) with Inspector Generals. Duplicating work that is already being done certainly must be avoided. Mr Koskinen pointed out that his office should not be viewed as a centralized mechanism for solving these problems. His role is to serve as a catalyst to have the gaps identified and filled.

A three-tier approach for addressing Year 2000 conversion problems includes: 1) looking at what is being done with your own system; 2) looking at the interfaces to your systems such as those at other Federal agencies, State and local governments, and international; and 3) considering the impact of activities that are not the responsibility of the Federal government but will impact our business on January 1, 2000. There is a growing need for the Federal government to exert leadership in ensuring that other activities impacting Federal business will be ready. The Federal government also needs to determine who should assume responsibility for cross-cutting areas such as transportation and telecommunications. It needs to work with authorities for other areas such as public safety. International areas will be especially challenging as many countries are worried about the next six weeks, not the year 2000. A balancing act is necessary as the situation needs to be taken seriously but unnecessary panic needs to be avoided. We need to focus the limited time available on high priority problems. Mr. Koskinen stated the goal of and performance measure for year 2000 conversion is that any inconveniences be modest and not noticed.

Mr Koskinen has been visiting with agency heads and CIOs to discuss Year 2000 and information technology (IT) issues. In these visits he pointed out that agencies should be looking at how IT can be used to further their missions. Agencies are advised to feed information on their year 2000 conversion efforts to the Council through their Council representatives or through the CIO Council. □

The Future of Federal Financial Systems and JFMIP

G. Edward DeSeve, Acting Deputy Director for Management, Office of Management and Budget

Ed DeSeve's remarks focused on the changing role of the Joint Financial Management Improvement Program (JFMIP). Past efforts had focused on convincing people that financial



management was important as an integrated element of program management. Today, JFMIP has a more focused role in helping agencies to achieve the unrealized vision of integrated systems architecture by moving away from the current isolated and stove-piped program and support systems. This need for integration is being driven in part by the requirement to produce by April 1, 1998 the first Federal governmentwide audited financial statement. While there is no new information in this document, it will focus attention on three issues: reconciliation between accrual and budget numbers; intragovernmental transfers; and the size of the "plug" number to balance the statement. The emphasis on financial systems will flow from this focus; JFMIP is in essence the "keeper of the financial flame".

Financial management systems are now being put in place with greater ease: the "bleeding edge" period is past, with more and more integrated systems being put in place. One goal stated in the President's Budget for FY 1999 is to receive a clean opinion on the Federal government's audited financial statements for FY 1999. The Federal government still needs solutions for several problem areas: valuation of property, plant and equipment, credit reform, and intragovernmental transfers. These are problems that need to be tackled in FY 98 and FY 99. Some agencies - such as the Internal Revenue Service (IRS), through its team effort with the General

Accounting Office (GAO) - have met the challenge, but there is more to do and the nature of core financial systems sometimes makes the task harder. Ongoing vigilance is necessary to prevent computer fraud and interference.

For the future, JFMIP has a crucial role to play in establishing financial systems requirements, and the importance of these requirements has been enhanced with the passage of the "Brown Bill" which has codified them. The JFMIP requirements for financial systems fall into three categories: those that have put in place at some point; those that need some updating; and those which are yet to be issued.

The requirements for core financial systems are among the most robust. JFMIP is getting the capacity to update the schedule of certified core financial management software systems. The objective is to make the schedule more flexible and easier to use. It will be an Indefinite Delivery/Indefinite Quantity (IDIQ) multiple award task order contract, with incentives for vendors to update and reengineer their products and meet our requirements for core financial systems, so that commercial off-the-shelf software (COTS) products will be available which meet Federal government financial management system needs. To do this, the Federal sector, specifically JFMIP Program Management Office, needs to present to vendors an aggregated marketplace and an easier to use procurement schedule. To do that, we have to make sure that the current requirements are up-to-date and work alongside our private sector partners on systems standards.

Regarding other financial systems requirements, the JFMIP requirements for managerial cost accounting have just been issued. These address the government's ability to answer the question of: "what we are getting for what we are spending".

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FINANCIAL MANAGEMENT PROFILE

Kenneth M. Bresnahan has served as the Deputy Chief Financial Officer of the U.S. Department of Labor since October 1996. He supports the politically appointed Chief Financial Officer of the Department as principal advisor to the Secretary on all matters relating to financial management, including financial policy, accounting operations, financial reporting, financial systems and internal controls. He describes the role of the Office of the Chief Financial Officer as three-dimensional: providing financial management leadership to the Department of Labor, exercising stewardship over the Department's financial resources and delivering financial products and services in support of the Department's programs. Since April 1997, Mr. Bresnahan has served as the Acting Chief Financial Officer.

Prior to his Department of Labor appointment, Mr. Bresnahan's career advanced in a series of financial and program management positions in the Department of Agriculture. From 1991 until 1996, he was the Budget Officer for the Department of Agriculture's Food and Nutrition Service (FNS). From 1993 to 1995 he also served as Acting Deputy Administrator for Financial Management for FNS.

Mr. Bresnahan has been Chair of the CFO Council's Human Resources Committee (HRC) since April 1997. The Committee is focused on improving the recruitment, retention, performance, and training of financial management personnel within the Federal government. When asked how he would address the concern over the need for highly qualified, multi-skilled financial personnel to perform the more complex tasks demanded of Federal financial managers, his knowledge of this issue was evident. Mr. Bresnahan believes the strategy must be centered around a well-defined set of core competencies for financial management personnel. The core competency documents that have been published in recent years by the CFO Council and JFMIP articulate the knowledge, skills, and abilities that are appropriate to help individuals be successful in their jobs. "With that foundation in place, there is a series of logical next steps that evolve around the issue of preparing the financial management workforce," Mr. Bresnahan stated.

The HRC has been working closely with the Office of Personnel Management (OPM) which is analyzing the classification structure and qualification standards for occupations within the financial management profession, starting with accountants. Mr. Bresnahan indicated that the qualification standards will likely be revised in recognition of the more demanding work now required in the financial management profession. The HRC has joined with OPM to host a series of focus groups in order to document the nature of this change in performance expectations, and make informed proposals for modifying the qualification standards.

In addition, the HRC is developing new recruitment strategies in order to attract a workforce that can successfully perform this more demanding work. By taking advantage of existing programs such as the Presidential Management Intern (PMI) Program and expanding the scope of financial management recruiting efforts, Mr. Bresnahan predicts an increased pool of qualified job applicants. The Committee

has asked OPM to identify PMI candidates who have graduate or undergraduate backgrounds that would make them good candidates for financial management. OPM will also identify graduate school programs around the country that might not currently be active in the program to inform them of the career opportunities in Federal financial management and encourage them to nominate people for the program. Other recruitment possibilities include: 1) establishing a companion program that would have the same prestige as the PMI Program but would be better targeted to the financial management community, and 2) combining resources for recruitment across Federal agencies. Mr. Bresnahan hopes that if organizations leverage their collective recruiting needs and resources, the Federal financial community will be able to fill jobs with excellent candidates in a cost-effective and sustainable manner.

Professional development is vital to the success of this strategy. "Once we get the people we're looking for on board," Mr. Bresnahan emphasized, "we must ensure that their professional development continues. Professional development is probably one of the trickiest issues we face. But the message has been loud and clear in every forum that we've conducted that what we need is an enforceable policy of Continuing Professional Education (CPE) in financial management. The nature of today's work is such that you cannot rely on the skills that qualified you for your first job and not necessarily on what you've learned by doing your job." Mr. Bresnahan stressed that every private sector organization that deals with financial management strongly encourages, and in some cases mandates, CPE programs.

In order to sustain a policy of continuing professional development, financial managers must lead the effort to provide the necessary financial and administrative infrastructure. Mr. Bresnahan suggests we begin by reaching out to education and training providers to make sure they are aware of the professional development interests of the Federal financial community. A good deal of creative thinking will be needed to help managers with tight budgets and other demanding priorities effectively finance these critical professional development investments. Mr. Bresnahan acknowledges that there is no magic formula, but said we must find a way to ease that burden and make training a part of the solution. "If we can put all these pieces of the puzzle together with core competencies at the center of each of these strategies, we'll have a much higher probability of having a workforce that is flexible and responsive to the demands that we're facing," Mr. Bresnahan said.

Downsizing has been a continuous challenge for most Federal agencies and the Department of Labor is not immune. Mr. Bresnahan stated that one of the biggest challenges has been the fact that, in many cases, downsizing preceded the business process changes that are necessary to be successful with a different, smaller workforce. He points out that most business process reengineering models suggest that you look at business practices and decide on new courses of actions to get work done. The last thing that you

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Conference Panel Session

Going Electronic for the 21st Century

sky Leshner, Chair of the Chief Financial Officers (CFO) Council Electronic Commerce Committee, moderated this session, and stated that the Federal government has been doing parts of electric commerce for a while; so this is not new. What is new is that this whole area of electronic commerce is changing very rapidly and it will be very difficult for all of us is to try to keep up with the pace of the change. He also pointed out that electronic commerce is one case where we never will have enough information to make some of the decisions that have to be made. But if you do not make decisions as you go along with the best information you have, the train will have moved beyond and you will have a long, hard road catching up.

Jack Radzikowski, Chief, Financial Systems Branch, Office of Management and Budget, presented the strategic plan for electronic Federal purchases and payments. The strategic plan is a business plan and is built around a business case for getting the Federal government to invest in high volume electronic commerce. The premise in the strategic plan is that procurement activities from the point of ordering through payment are high volume transactions and can be done by commercial transaction processors. But, the activities at the front-end of the procurement cycle, where you look at source selection and send out RFPs are a lower volume. These activities probably would be done with commercial software and not necessarily transaction processing. Mr. Radzikowski added that there are 4 conceptual elements of high volume electronic commerce, which are:

Buying Clubs - The Federal government can be viewed as one large buying club. Within the Federal government there are communities of interest with similar type needs and some with special type needs.

However, by all working together and leveraging their volume of transactions in a joint procurement, a much better deal can be reached than if each tried to do it by itself.

Payment Utilities - Payment utilities are commercial entities that offer common financial transaction processing services, including authorization control, transaction processing, reconciliation, and reporting. Examples of payment and transaction processing utilities are financial institutions that issue credit cards, their transaction processors, and related integrators of technology, e.g., software, hardware, and telecommunications. There are several parties to the transactions and they all have operating rules governing their roles, responsibilities, and performance.

Electronic Catalogs - An electronic catalog is a web-based electronic ordering system which involves a contract with pre-established business arrangements with industry, a means for the customer to identify and order goods and services, and sufficient information for the customer to compare the items offered by performance, price, and delivery. Approximately 98% of businesses in North America and fourteen million vendors world-wide are now registered with American Express, VISA, or MasterCard.

Cards - Every agency in the Federal government will have a new card this fall. Agencies have an option of doing business the way it was, having a separate card for everything; or if the agency is more forward-looking, getting an integrated service to do a variety of business services.

Mr. Radzikowski concluded that we have the elements for successfully implementing electronic commerce and we can do it in high volume if the Federal community work together with the private sector.

Marty Wagner, Associate Administrator, Office for Governmentwide Policy, General Services Administration, discussed the use of smart cards in the Federal government. A smart card is a plastic card with an imbedded chip that has both data-processing and storage functionality. The good news about smart cards is that it

can increase productivity. Smart card is a key technology that will be tied to moving the Internet and intranets together. The use of smart cards is a player in the procurement world or for electronic commerce. The real pay-off for smart cards' stored value may be its use for electronic certificate or electronic signature which can authenticate individuals to many systems.

Although smart cards will provide many benefits, they will also require a tremendous amount of work to successfully implement them. There are many risks that have to be considered. To apply smart cards in the government's business process, you first have to experiment on an incremental basis with smart cards which will lead to results that redefine the next experiments, and moves you towards a brave, new vision. There are many people doing experiments in smart cards. There is a need to think about where you want to be next. You should position yourself in your card experiments to be moving to an interoperable framework. Mr. Wagner concluded that we will learn from the experiments and it is anticipated we will make mistakes; hopefully, these mistakes will be cheap and we can learn from these mistakes.

Larry Stout, Assistant Commissioner, Financial Management Service (FMS), Department of the Treasury discussed what his agency is doing and how they are trying to shape their entry into the 21st century in this age of electronics. Treasury FMS set a goal several years ago to be an all electronic Treasury; that is, they wanted to move funds in and out of the government, together with the information necessary to complete that transaction electronically. Last year the Electronic Federal Tax Payment System was implemented to electronically process tax withholding money. An electronic Automated Clearing House (ACH) debit and credit driven process was developed with over \$750 billion last year, and Treasury expects to move over a trillion dollars this year.

Treasury will re-compete a contract for its plastic card collection network, known as the USA card pilot. This is a card-based process to handle intragovernmental transactions.

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Are Agencies on Target with the Implementation of the Results Act?"

Steven App, Deputy Chief Financial Officer of the Department of Treasury and Chairperson of the Chief Financial Officers (CFO) Council's Government Performance and Results Act Implementation Committee moderated the panel and described the key next step for the implementation of the Results Act. Agencies have to shift their attention from complying with the Act's statutory reporting requirements to improving financial and program management. To do this, agencies should use their available financial and performance data, even if imperfect, to improve their operations. To assist agencies in this regard, the CFO Council's GPRA Committee has released its draft report "Integrating the Budget Structure, Financial Statements, and Performance Measures into One Understandable Package".

Sallyanne Harper, Acting Chief Financial Officer of the Environmental Protection Agency, (EPA) described how her agency has integrated the Results Act requirements to prepare strategic and annual plans as well as performance reports into a Planning, Budgeting, Analysis and Accountability Framework. As part of this framework, EPA's FY1999 performance plan linked its budget and performance targets with its strategic planning, provided a mechanism for resource allocations decisions based on projected results, and established a context for performance reporting and program evaluation. The next steps for EPA are to restructure its budget to one that is organized around its strategic goals, improve its cost accounting systems, and strengthen accountability for environmental outcomes.

EPA had a crucial advantage in its early implementation of the Results Act: top leadership commitment. In addition, Results Act implementation must be a collaborative process that includes buy-in from agency opinion leaders and other stakeholders. For example, because EPA implements its environmental programs with many partners, coordination will be an ongoing process. Lastly, agencies should maintain a long-term perspective—Results Act implementation is not an overnight process. In particular, the shift from measuring activities, such as counting the number of permits given, to measuring outcomes, such as the cleanliness of rivers, lakes, and streams will be a challenge.

J. Christopher Mihm, Associate Director at the General Accounting Office, attributed several factors to the Federal government's good progress in implementing the Results Act. First, Congress, especially the House leadership, has focused its attention on agencies' implementation of the Results Act. Second, agencies themselves have embraced the Results Act. The Act required 10 agencies to pilot the planning and reporting phase of the Results Act, but over 70 participated. Third, unlike past management initiatives, the Results Act is linked to congressional decisionmaking. It is the first statutory link between agencies' budget requests and their performance planning efforts.

Despite this good progress, agencies still face challenges to:

- (1) refine their strategic direction by setting goals that are more results-oriented. For agencies implementing intergovernmental programs, reaching consensus with partners on the intended results takes time.
- (2) form coherent linkages among various planning elements, such as goals, objectives, and strategies. GAO found that agencies' strategic plans did not always provide adequate discussions of the strategies needed to achieve those objectives.
- (3) build information capacity. GAO found that agencies were hampered by not having information systems in place to collect data for agencies to use to measure their progress in achieving their goals.
- (4) actively coordinate with other agencies that contribute to similar outcomes. Otherwise, uncoordinated programs can waste scarce funds and frustrate customers.
- (5) instill a results-oriented culture. Ultimately, the Act is not about the preparation of a strategic plan, but the ongoing process of strategic planning and using performance information.

Mr. Walter Groszyk, Project Leader for GPRA Implementation for the Office of Management and Budget (OMB), gave his observations on the FY1999 agency performance plans. Because there was much variation among the plans, upcoming OMB guidance will further elaborate on particular areas for the next round of agency performance plans. Currently, OMB is identifying examples of plans with particularly useful or informative features. For example, Mr. Groszyk noted that the Department of Treasury's performance plan included trend data: actual performance for FY 1997, estimated performance for FY 1998, and projected performance for FY1999. Having three columns (years) of data provide a context for decisionmakers so they can view past performance and the basis for setting a specific goal. In addition, as agencies' cost accounting systems become more mature, OMB will place greater emphasis on cost performance measures, such as the cost per unit of service. OMB will also provide additional guidance on agencies' discussion of management problems that are mission-critical to achieving goals, the verification and validation of performance information, and crosscutting program areas.

OMB will detail the process and criteria for the managerial flexibility provision of the Results Act. This provision allows agencies to propose, and OMB to approve, waivers of certain nonstatutory administrative requirements and controls so that managers have additional authority and flexibility. Lastly, OMB will shortly solicit nominations for the final set of pilot projects of the

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JFMIP 27th Annual Financial Management Conference

Conference Panel Session

Meeting The Challenge for Year 2000

Mitch Laine, then the Deputy Chief Financial Officer at the Department of Education, hosted a panel session at the recent JFMIP conference on the challenges facing all government agencies in preparing their systems and equipment for the Year 2000. Also participating as speakers were Cynthia Warner, Acting Director, Strategic IT Analysis Division, General Services Administration (GSA), and Joel Willemssen, Director, Civil Agencies Information Systems, General Accounting Office (GAO).

The Year 2000 issue is every agency's number one priority between now and the end of 1999. That's because the deadline cannot slip and systems that serve our nation cannot be allowed to fail. In fact, OMB has mandated that all agency systems be Year 2000 compliant by March of 1999. This will allow 9 months for systems to run in production to ensure that all the Y2K fixes have not caused other problems.

Cynthia Warner stated that the Y2K issue has finally been raised to the highest levels of government with the appointment of John Koskinen as Chairman of the President's Council on the Year 2000 Conversion. Mr. Koskinen provided a lead-in to this panel discussion by likening the stage of crisis as the bubonic plague for the economy. The Chief Information Officers (CIO) Council is currently conducting meetings to address Y2K cross-cutting issues, e.g., regulations, impact, and products. The purpose is to share best practices and lessons learned - don't reinvent the wheel. There are a number of subcommittees working on these issues including best practices, telecommunications, facilities, biomedical, international, industry, State, data

exchanges, contract language, etc. Any agency can send representatives to these meetings and join any of the committees.

Recently, one of these committees addressed one of the major issues in Y2K - contract language with vendors. All government purchased products must be Y2K compliant and this must be addressed in any contract between the government and vendors. GSA has developed boilerplate contract language for all agencies to use (accessible on their Y2K website). This will save time for any future agency purchases.

GSA has a website which is a one-stop source for Y2K in the Federal government. The address is "www.itpolicy.gsa.gov". This website provides the recommended contract language, best practices, list of conferences, and Congressional issues. It also provides links to States and other countries' websites on Y2K issues. GSA provides a database on Y2K compliant products, in which submissions are accepted from both government agencies and vendors.

The CIOs from the Federal government and the States had a summit meeting in Pennsylvania. They developed a 4-digit date standard and formed 2 groups, policy and technical, to address issues. In the Fall of 1998, a conference will be conducted to discuss Federal and State Y2K issues, and all Federal staff are invited to attend this conference.

There is a subcommittee chaired by Liza McClenahan, State Department, on International Y2K issues. The United States is working with the "Group of 7" countries on these issues and a "virtual" International Conference will be held on the World Wide Web later this year.

Joel Willemssen discussed the awareness issue. He stated that Congressional interest is growing and that they are conducting reviews at selected agencies. Three guides are available from GAO to help with Y2K conversions: Enterprise Readiness Guide, Contingency Planning, and Y2K Testing Guide. He mentioned that testing and contingency planning are two areas that have been not been given enough attention in the government. Because of the short

deadline and limited number of resources, agencies are failing to develop contingency plans and shortening the testing time for the Y2K fixes. Agencies must have contingency plans, especially for those systems that are being replaced. New system development can take longer than planned, and the deadline cannot be moved. The old systems may have to be modified in parallel to ensure Y2K compliance. Y2K testing is of paramount importance and if done properly, it can take the longest of the system life cycle phases to complete. This is one area to take a shortcut.

However, the number one problem uncovered at most agencies is an absence of priority setting, especially in highly decentralized agencies where each group considers their systems the most important. One other problem uncovered is identification of data exchanges between systems. It is important to establish relationships with outside entities with whom the agency exchanges data. This is a resource intensive issue.

GAO made the following recommendations to the President's Council on the Conversion for Year 2000 Issues, chaired by John Koskinen, Assistant to the President:

- Establish priorities
- Ensure end-to-end operational testing
- Require reporting from 31 other smaller government agencies
- Push for independent verification (possible involvement of Inspectors General)
- Endorse best practices
- Establish a government-wide strategy for hiring and keeping qualified personnel

Mitch Laine spoke specifically on how Y2K is being handled at the Department of Education. A Steering Committee was established to review issues and determine progress within the agency. The Committee consists of 7 full-time people from various areas within Education. They have discovered that managing this effort requires people with great project management skills.

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JFMIP 27th Annual Financial Management Conference

Audited Financial Statements: Status Report and Lessons Learned

Woody Jackson, Deputy Controller of the Office of Management and Budget, opened the session by providing a status report on the preparation and audit of agency financial statements and the consolidated (governmentwide) financial statement of the U.S. Government for the year ending September 30, 1997. The audited financial statements are required by the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994 (GMRA). [See article on the Consolidated Financial Statements of the US Government on page 1.]

Mr. Jackson believes that citizens who pay taxes should expect to see a financial statement from the U.S. Government. He compared citizen taxes to a private investment in the business sector. Saying he would not make an investment in a corporation that did not have an unqualified opinion on its financial statement, he emphasized that taxpayers should expect the same situation from the Federal Government. He added that, as a government, we are moving rapidly in that direction.

Bob Dacey, Director of Consolidated Audit and Computer Security Issues, General Accounting Office (GAO), presented some of the issues and challenges noted by the GAO when it audited the consolidated financial statements of the Federal Government and the financial statements of the Federal agencies.

Issues directly affecting the consolidated financial statements are proper accounting for: 1) property, plant, and equipment (PP&E) and inventories; 2) direct loans, loan guarantees, and receivables; 3) environmental liabilities; 4) other liabilities, and 5) net costs. Issues not related directly to the numbers in the governmentwide financial statement but affecting their

determination are: 1) proper accounting for transactions between Federal agencies; 2) consistency in reporting on Fund Balance With Treasury between agencies and Treasury; 3) validity of data reported by agencies through FACTS to Treasury for the consolidated financial statements.

Mr. Dacey summarized his remarks by saying that the concern about financial management information represents a challenge to improve. He also noted that there are some control and compliance issues in the areas of computer security, record-keeping, improper payments, and systems compliance with capturing transactions using the codes of the Standard General Ledger (SGL) to produce financial statements.

Ron Longo, Deputy to the CFO for Policy and Planning at the Department of the Treasury, discussed Treasury's experiences with the first audited governmentwide financial statement and responded to some of Mr. Dacey's comments on the issues and challenges associated with the process. In particular, he pointed out that Treasury and the agencies were making substantial progress in addressing the issues. He also said that this first effort to consolidate data from Federal agencies highlighted areas not previously considered. For example, the Federal Government is one entity composed of many agencies. When agencies don't think of themselves as part of a greater whole, they may record transactions in a manner that does not pose a problem at the agency level, but may cause a problem when aggregated at the governmentwide level.

Treasury will be working with agencies to help them: 1) identify trading partners at least one level below the departmental level to assist with proper reporting of interagency transactions; 2) classify transactions correctly in FACTS submissions; and 3) report the most current status of their Fund Balance With Treasury accounts.

Mr. Longo said that in the business and financial community, the number that people focus on as the Federal Government's bottom line is the deficit. The challenge is to reconcile that deficit figure to changes in net position on the

governmentwide financial statement. Much of the reconciliation concerns timing differences in recognizing revenue and expense. To address these timing differences, the Treasury SGL Board would be updating accounts to facilitate aggregating information at the consolidated level.

Patricia Dalton, Deputy Inspector General (IG) at the Department of Labor (DOL), recounted that the DOL had finished its 12th audit in advance of the due date, received a clean opinion, and had no material weaknesses. She then presented her own and other IG's experience in participating in the first audit of the governmentwide financial statement.

She spoke of processes that worked to make the audit constructive. For example, there was a close team approach among OMB, GAO, Treasury, and the DOL. Labor had automated the entire audit process using Microsoft Access. Her department had a comprehensive planning document to control work and multiple audit teams, and there was continuous communication with management.

Many of the issues that arose as challenges during the audit were the same as those mentioned by the previous speakers: 1) mission assets definition; 2) inventory issues; 3) liability estimates; 4) credit reform issues; and 5) cash balances reconciliation. Ms. Dalton described challenges that the IG community anticipates for next year: 1) implementation of cost accounting and revenue standards; 2) level of work on internal controls; 3) level of computer security audit as part of the financial audit; 4) issues with Y2K; 5) possible requirement for IG's to test performance measures for the Government Performance and Results Act (GPRA); and 6) audit testing at the state level for grant-making agencies.

Turning to suggestions for the next audit cycle, Ms. Dalton offered the following suggestions:

1) examine formats in OMB Bulletin 97-01 to ensure that the formats are supportive of the governmentwide financial statements; 2) hold meetings similar to that held in January when GAO met with IG's to discuss issues and responsibilities relating to

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JFMIP 27th Annual Financial Management Conference

Conference Panel Session

Getting Our Most Valuable Resources Ready for the 21st Century

At the JFMIP Conference, the panel on human resources was led by Kenneth Bresnahan, Chairman of the U.S. Chief Financial Officers (CFO) Council Human Resources Committee and Acting Chief Financial Officer for the U.S. Department of Labor. The other panel speakers were: Evelyn White, Deputy Assistant Secretary for Human Resources at the Department of Health and Human Services, and Anthony Buzzelli, mid-Atlantic managing partner for Deloitte and Touche, who provided a private sector perspective.

Mr. Buzzelli described his firm's corporate culture change from training personnel to be auditors, tax professionals, and consultants to aligning training to their strategic mission: "Help our clients and people excel". The corporate leadership pursues this strategy by behaving as trusted advisors to their clients and mentors to their people. They are becoming a learning organization with the learning focused on individual development at the core, and then on the skills needed to serve their clients. They see several benefits to this strategy.

As the business becomes more complex and diverse, the firm's growth is outstripping their capacity to hire, and the replacement costs of turnovers are very high. The firm believes that by becoming a learning organization, where employees are given opportunities to grow personally as well as professionally, the firm will build loyalty among the ranks. With well articulated core values, Deloitte and Touche can develop a uniform language for business inside the firm. As they grow and become global, processes will be more consistent, especially as people change careers within the firm. The investment is steep: 2-3% of revenue, which excludes opportunity costs. While these costs are consistent with historical trends, they are no longer viewed as expenses, but as investments.

Evelyn White described the challenges of transitioning Federal personnel management from a rules-based system to a partnership with management for strategic planning to provide and develop the workforce needed to make a difference. She outlined some of the challenges to be met in this process. The human resources (HR) professionals need to become more consultative to help clients address problems. They need to be strategic in planning and thinking, so that they can anticipate future workforce resources as well as requirements.

Ken Bresnahan discussed the plans of the Human Resources Committee to build on the foundation of the Core Competencies Framework. The Committee will link qualification standards to current and emerging work requirements, develop and communicate effective recruitment strategies, improve professional development, and establish a sustainable infrastructure for education and training resources. The goal is to move toward eliminating the gap between the core competencies defined by government-wide financial workgroups and a highly qualified workforce.

One of the subcommittees of the HR Committee is working with the Office of Personnel Management to redefine the qualification and classification standards for Federal financial management personnel. Focus groups will be established to discuss the changing roles and responsibilities of accountants. Other task forces have developed the core competencies for financial system analysts and core competencies for financial management for information technology personnel implementing financial systems, and for management analysts and financial specialists. JFMIP and the CFO Council will be issuing these documents in the spring of 1998. The other efforts are discussed in the Financial Management

Profile of Mr. Bresnahan (page 5 of this issue). In conclusion, Mr. Bresnahan emphasized the need to keep our most valuable resources—people on our staff—properly trained to meet the constant challenges in the financial management community. □

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pilot—to test the presentation of varying levels of performance that would result from different budget levels. OMB is to select at least five agencies, at least three of which are to have been previously designated as pilot projects for annual performance plans and reports. □

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The Department of Education has a web-site at "www.ed.gov/y2k".

In conclusion, computer systems need to be Y2K compliant. This is a mandatory project with a firm deadline that cannot be changed. OMB has mandated a March 1999 date for completion of all projects. Government agencies should combine forces to ensure that the Y2K effort is a success. □

JFMIP 27th Annual Financial Management Conference

Conference Panel Session

Managerial Cost Accounting — Doing It Right

Jeffrey Steinhoff, Director, Planning and Reporting, Accounting and Information Management Division, General Accounting Office, led the discussion and briefly discussed the importance of cost accounting. To be meaningful, cost accounting data should disclose the full cost of operations, cost accounting data should be linked to performance and be provided in a timely manner. Management should strive to control and reduce costs. The panel speakers were: Douglas Webster, Director, Public Sector Cost Management, Price Waterhouse, and Kenneth Winter, Deputy Chief Financial Officer, National Aeronautics and Space Administration (NASA).

Doug Webster discussed the changing fiscal environment and role of cost accounting. Government agencies can no longer maintain the "spend the budget" mindset but must become more "business like" by developing resources that add greater value. The concept of value is well stated in the MARS, Inc. Quality Principle: "The customer is our boss; Quality is our job; and Value for money is our goal. Value is the relationship between the benefits provided to the cost of gaining those benefits. Value is achieved by understanding and fulfilling customer needs and managing costs to ensure minimal resources are used in meeting those customer needs."

Managerial cost accounting is a tool to help deliver value by providing a resource for decision-makers to actively manage costs. To be a valuable decision-making tool, managerial cost accounting must: identify full costs of products, services, products and outputs; identify cost of work efforts leading to achieving defined outcomes; enable identification of improvement opportunities; enable development of outcome-driven budgets and support meaningful accountability for performance. This would allow managers

to improve value, reduce costs, improve processes, develop benchmarks, develop performance based budgeting, develop accountability for results and ensure compliance with mandates. Managerial cost accounting is a valuable resource to utilize in meeting the challenges faced by managers in the changing fiscal environment.

Kenneth Winter discussed NASA's transition to full cost management and the related challenges and opportunities. The full cost management concept is expressed in their agency financial management strategies to measure performance and communicate results; optimize financial resources use and ensure statutory compliance; and streamline administrative processes to reduce costs. Full cost management is further emphasized in their financial management goal to be a world class professional team supporting program manager with integrated systems and timely information to cost effectively control, manage and achieve NASA missions.

Legislation, such as the Federal Financial Management Improvement Act, the Government Management Reform Act, the Government Performance and Results Act, and the Chief Financial Officers Act, provided both challenges and opportunities for NASA. Under those mandates NASA developed a strategic plan (long term vision), a strategy for business line structure, performance plans, evaluations, accountability reports and facilitated the development and implementation of a full cost management system. NASA realized there are no free resources and all costs should be linked to projects. The challenges and benefits of a full cost system allowed for: improved cost effective mission performance; strengthened project/mission tie to budget requests; effective tool/information resource for project leaders to manage; compliance with legal, other requirements and standards; streamlined, efficient support processes and practices and

management practices consistent with sound business practices.

NASA realized the success and acceptance of a full cost system was tied to obtaining and retaining senior management support, including buy-in from program staff representatives from various functional areas, establishing a reasonable and achievable schedule, ensuring the systems can support required informational needs, communicating regularly with customers and stakeholders and maintaining a link to agency strategic missions. These factors represented both challenges and opportunities for NASA to excel. NASA's full cost system is being phased in over a number of years.

Managerial cost accounting can be a powerful resource to management. Care must be taken when developing the cost accounting system to ensure meaningful data is provided in a timely manner and is understandable and useful to management. □

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the governmentwide audit; 3) develop a master planning document for IGs on the governmentwide level; 4) conduct a review of Federal audit requirements after the consolidated audit.

Mr. Jackson stated that revisions to audit requirements have already been done and that OMB Bulletin 93-06 should be published by May. OMB Bulletin 97-01 will be revised soon to require: 1) disclosure of interentity transactions for 1998, and 2) classification of expenditures on the statement of net cost by functional category, with disclosure in the notes to the financial statements. □

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when there are no records of original cost, estimating the useful life of property, and approaching capitalization thresholds.

Direct Loans and Loan Guarantees - developing estimates of loans receivable and loan guarantee liabilities when there is a lack of good historical data.

Environmental Liabilities - estimating these potentially major liabilities.

Liabilities - substantiating estimates of accounts payable, other liabilities, post-retirement health benefits for military and Federal civilian employees, and veterans compensation.

Statement of Net Cost - reporting net cost information for all government operations.

Unreconciled Transactions - correcting imbalances with interagency accounts to enable correctly reporting transactions between government agencies.

Fund Balance With Treasury - reconciling the differences between what agencies report in their financial statements and what Treasury reports in the cash accounts at the Federal Reserve and commercial banks.

Consistency of Consolidated Data - ensuring that agency data submitted to the Treasury for the consolidated financial statements is consistent with what agencies report in their financial statements.

a disclaimer. After 6 years of experience with the CFO Act and 2 years of experience with GMRA, Mr. Jackson thought that these statistics were good. He also added that considerable progress had been made by all agencies and that he expected agency statistics to be even better next year.

Contents of the Audited Governmentwide Financial Statements

The report opens with a letter from Secretary of the Treasury, Robert E. Rubin. Secretary Rubin says that this is the first time that the United States Government has assembled comprehensive financial statements covering all of its activities and subjected the financial statements to an audit. He calls the event, "a truly historic undertaking." The Secretary speaks of the Clinton Administration's commitment to improving Federal financial management through its support of the GMRA and the Federal Accounting Standards Advisory Board (FASAB), which created the accounting standards on which the financial statements are based. He acknowledges that because of incomplete comprehensive financial information, the GAO was unable to render an opinion on these financial statements. Further, Secretary Rubin emphasizes the Administration's commitment to working with the GAO, Federal agencies, and other interested parties to achieve the President's goal of receiving an unqualified opinion from the GAO on the FY 1999 Consolidated Financial Statements.

The Introduction to Management's Discussion and Analysis (MD&A) of the consolidated financial statements further addresses areas mentioned in Secretary Rubin's letter. It discusses the Administration's support to improving the reliability of agency financial reports on which the consolidated financial reports are based. It points out that the *Federal Financial Management Status Report and Five-Year Plan* issued by the OMB contains the Administration's objectives and agency pledges for when they will submit timely financial statements with unqualified audit opinions.

The MD&A points out that the United States Government does not have a single bottom line on which its financial status can

be judged. However, the audited governmentwide financial statements reflect the government's finances in a way not previously reflected, and present a comprehensive picture of the Government's complex operations. The consolidated financial statements include the MD&A, a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, accompanying Notes, and Supplementary Information, which includes Stewardship information. Unless otherwise noted, the consolidated statements are on the accrual basis, with timing and other differences between the accrual and budgetary basis being reconciled in the "Reconciliation of the Changes in Net Position to the Deficit on the Budgetary Basis."

The consolidated financial statements include financial information for the Executive branch, which is required to prepare and have audited financial statements in accordance with Federal Financial Accounting Standards (FFAS). However, since neither the Legislative nor the Judicial branch are required to prepare financial statements in accordance with FFAS, the consolidated financial statements include only parts of the Legislative and Judicial branches. Excluded are the property, plant and equipment of the Judicial branch and the U.S. Congress. Moreover, the consolidated statements do not include government-sponsored enterprises, since they are privately owned, and the Federal Reserve System, since monetary policy is conducted separately from central agency functions.

The consolidated statements do not include information on natural resources since standards for these resources have not yet been developed. The statements also do not include values for stewardship land; they do include information on the composition and quantity of such land. The value of national defense PP&E also is not included. However, FASAB is proposing that the value of national defense PP&E be removed from the balance sheet and information on national defense PP&E be reflected in the stewardship section of the financial statements.

At the JFMIP Conference on March 25th, Woody Jackson, Deputy Controller at the Office of Federal Financial Management, Office of Management and Budget, provided a status report on the preparation and audit of agency financial statements, the basis for aggregating financial information to the consolidated statements. Audited agency financial statements, like the consolidated statements, are required by the CFO Act and GMRA. Twenty-three of the 24 Federal agencies required to prepare financial statements and have them audited had done so; the one agency that had not done so was moving toward full compliance by fiscal year 1998. Ten agencies had attained the ultimate milestone and expected an unqualified opinion, 6 agencies expected a qualified opinion, and 7 agencies expected

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New Staff at JFMIP

The JFMIP has several new staff members detailed to work on systems requirements, and the reengineering of the testing and certification of core financial systems.

Elizabeth Cowan, a manager at the Department of Defense for the Australian Government, was detailed to JFMIP from February through April 1998. At JFMIP, she worked on reengineering of the testing and certification of core financial systems.

Dennis Mitchell, detailed to JFMIP in March from the Department of the Treasury, is a senior systems accountant. He is a project director who will coordinate the update of payroll system requirements. He will also work on the testing and certification of core financial system project.

Betty White, a CFO Fellow originally from the Chicago office of the Environmental Protection Agency, began her assignment at JFMIP in April. She will be working on a variety of assignments. (See article on page 17 on CFO Fellows.)

Women Executive Leadership Program Participants

Over the past few months, JFMIP has provided several developmental work assignments for participants in the Women Executive Leadership (WEL) Program. The WEL Program is a one year management development program for men and women that provides supervisory and managerial training and development opportunities for high-potential Federal employees at the GS-11 and GS-12 level. The WEL program is open to regional and local employees.

Under the direction of the Career Development Programs of the Department of Agriculture Graduate School, the WEL Program is tailored to the participant's own developmental needs and focuses on those competencies and effective characteristics needed to be a successful supervisor or manager. All required training takes place in the Washington, D.C. metropolitan area

and surrounding residential training sites. The major Program components are:

- One week orientation session — An individual development plan
- One week CORE I session — Developmental work assignments
- Two week CORE II session — Leadership team presentation
- One week shadowing assignment — Program impact paper
- Executive interviews — Close-out week activities
- Management reading (3 books) — Independent supervisor/leadership study course

The WEL participants names, agencies, and a brief description of their work assignment with JFMIP are described below.

Allison Bowden, an engineer from the Central Intelligence Agency (CIA), was on a 30-day detail in April at JFMIP. She developed an integrated critical path analysis for the testing and certification of financial system software project.

Sonja Ealey, who recently became a budget officer at CIA, was detailed to JFMIP for a 2-month assignment. She met with the Chief Financial Officers (CFO) and Deputy CFOs in the major 24 Federal agencies, and summarized the common themes resulting from the discussion at these meetings. She also reviewed core competencies for financial system analysts and information technology personnel implementing financial systems, assisted at the JFMIP Conference, and interviewed a senior financial official for the *JFMIP News*.

Pamela Perrin, a budget analyst at the General Services Administration (GSA), started her detail at JFMIP in May. She is currently serving as the JFMIP liaison and coordinator for the update of the governmentwide travel systems requirement document to reflect current law and regulations. She works with GSA, General Accounting Office, and other government agency representatives to coordinate the activities of this assignment.

Anderia Thomas, an economist from the Bureau of Labor Statistics, began a 30 day detail at JFMIP in May. She is working with the Office of Personnel Management to

conduct an analysis of the governmentwide financial management labor force to discern trends in terms of work force totals by occupation in the financial series over the past 10 years. She will also evaluate current position of the work force against strategic changes in the work force demands. Her project will assist the Human Resources Committee in their work on recruitment and training issues for the Federal workforce. □

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Future consolidated financial statements will include an expanded stewardship information section. The section will include information on:

- current services sustainability - the short- and medium- term sustainability of current programs
- heritage assets - such as monuments, museums, memorials
- non-federal physical property - such as roads, bridges, tunnels
- human capital - education and training of the general public
- research and development - basic and applied research, development

The MD&A then presents narrative information on economic and budgetary results, and narrative summaries of the financial information in the statements on revenue and expense, assets and liabilities, future commitments, other commitments, and management initiatives. This narrative information is designed to succinctly highlight the often complex financial statement information in a manner that would be meaningful to other than accountants and auditors. The report concludes with details of the audit, the financial statements, and the accompanying notes.

Copies of the report can be obtained by calling GAO at 202-512-6000 and requesting report number GAO/AIMD-98-127, or by accessing the report through GAO's web page at: <http://www.gao.gov>. □

FASAB Update

During the period of January through April 1998, the Federal Accounting Standards Advisory Board (FASAB) took a number of actions, including the issuance of two Exposure Drafts in February: one on Amendments to Property, Plant, and Equipment Accounting and the other on Social Insurance.

Amendments to Accounting for Property, Plant, and Equipment Exposure Draft

On February 13, FASAB issued an exposure draft seeking comments on its proposed amendments to Statements of Federal Financial Accounting Standards (SFFAS 6 and 8) relating to property, plant, and equipment (PP&E). The proposal would affect both recognition and measurement of general PP&E (e.g., through changes to the definition of federal mission PP&E and to accounting for multi-use heritage assets) and stewardship reporting on federal mission PP&E. The Board encourages comments from a wide variety of users since the proposals would affect most agencies in some way and would alter reporting for significant investments in PP&E used in national defense. Comments are requested by May 13th. A public hearing is scheduled for June 26, 1998.

Accounting for Social Insurance Exposure Draft

The second Exposure Draft, issued February 20, contains proposed standards that address accounting for Social Security, Medicare, Railroad Retirement benefits, Black Lung benefits, and Unemployment Insurance, which are known as "social insurance" programs. This statement would require that expenses be recognized for benefits paid during the period (plus any decrease or less any decrease) in the liability from the end of the prior period to the end of the current period, including claims incurred but not reported. The liability should be social insurance benefits due and payable to or on behalf of beneficiaries at the end of the reporting period..

Also, supplementary stewardship information would be required on the long-term sustainability of the program from the perspectives of both the individual

agency and the governmentwide entity. The required supplementary stewardship information (RSSI) would be tailored for specific programs but generally would include narrative and/or graphic presentation of long-term cash-flow projections in nominal dollars, long-range projection of the ratio of contributors to beneficiaries, and an estimate, as of the current balance sheet date, of the present value of the contributions that future participants and their employers will make to finance future benefits for current participants. Comments are requested by June 20th. A public hearing is scheduled for October 5-6, 1998.

OMB Publishes FASAB-Approved Interpretation 4 on Pension Payments

OMB has published the FASAB-approved Interpretation 4, Accounting for Pension Payments in Excess of Pension expense. The interpretation provides guidance on accounting at the agency level for employer agencies' payments to the pension trust fund in excess of pension expense (or "normal") cost by the Office of Personnel Management.

Meeting Highlights

At its April meeting the Board dealt with the following issues:

Management's Discussion and Analysis

Members discussed a revised draft of a statement of recommended standards on Management's Discussion and Analysis (MD&A). The members were generally satisfied with the specific guidance in the draft. However, they were concerned with the status of the MD&A section. While most members considered the section a requirement in a general purpose financial report, they were concerned that managers be permitted to exercise judgment regarding the most important items to discuss. Staff is redrafting the statement based on the members' input and expects to complete the project during the summer months.

Internal Use Software

As the Board reviewed the Internal Use Software Exposure Draft, members supported the capitalization of indirect costs, concluded that data conversion costs

should be expensed, and agreed to a fiscal year 2001 implementation date. It is expected that Board will vote on a final draft of the recommended standard in June.

Natural Resources

Schuyler Leshner presented a revised preliminary fact-finding document explaining the changes made since the January meeting. Specifically, more information has been added on the issue of the timing of valuation, more discussion regarding revenue generated from the sale of natural resources, and the recognition of costs has been amplified. He noted that the area of non-traditional resources is expanding. He further added that the reporting of national wealth is problematic because of non-federal ownership. Board members gave consideration to producing an Invitation For Views document rather than an Exposure Draft. The Board requested FASAB staff to produce an issues paper for the Board.

Credit Reform Issues

Art Stigile from OMB and Shirley Hanberry from Treasury FMS presented comments on behalf of the AAPC Credit Reform Task Force. The task force had requested that the Board amend SFFAS No. 2 to provide for presentation of different information regarding the components of subsidy expense relating to direct loans and loan guarantees. The Board did not come to a conclusion on the issues and will continue its discussions at the next meeting.

Accounting and Auditing Policy Committee

At its April meeting, the AAPC agreed to develop guidance on identification of inter-entity costs. This issue is rooted in the FASAB Standard No. 4, Managerial Cost Accounting, which requires that OMB, with assistance from the FASAB staff, identify specific inter-entity costs for entities to recognize. Current accounting standards require agencies to include the following specific costs in agency financial statements: (1) employees' pension benefits, (2) health, life insurance, and other benefits for retired employees, (3) other post-employment

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- provide information to agencies, by way of consumer report and knowledge base, and
- expand the schedule to include software beyond core financial systems, i.e., financial and mixed systems software on other GSA schedules and other government vehicles. PMO would encourage linkages with those other GSA schedules which include financial management systems software—both core and non-core—to assist agencies to tap into a single source of information

The establishment of the PMO is a long term strategic solution to long standing shortfalls in Federal financial systems and should provide value added services by reducing the need for agencies to define and test COTS software. Achieving these goals is contingent on congressional approval of the FY 99 budget request of \$3 million. The JFMIP in concert with the CFO Systems Committee has already initiated action that will be completed by the JFMIP PMO. These include:

- update and communicate core financial management system requirements so that COTS vendors can understand better the Federal market opportunities (by third quarter FY 1998);
- reengineer the testing and certification processes and create an open knowledge base, with information available on the functional, design and performance characteristics of certified core financial management systems software. The availability of this “consumer report” to agencies should reduce acquisition costs and risks of implementing COTS products: they will have already been tested and certified as meeting JFMIP requirements and assessed in terms of their operational/design capability and performance (2nd Quarter FY 1999);
- reengineer the current procurement schedule to support the new concept of operations. The proposed procurement reengineering is to streamline the procurement process by replacing the mandatory schedule with a non-mandatory multiple award, indefinite delivery, indefinite quantity (IDIQ) task order contract for certified products. An aspect of the reengineering will be to

separate out the testing/certification process from the acquisition phase. Only that software which has been certified as meeting core financial management systems requirements will be available on the IDIQ contract. Part of this effort would involve the PMO encouraging linkages with those other GSA schedules which include financial management systems software - both core and non-core - to assist agencies to tap into a single source of information (1st Quarter 1999); and

- establish a knowledge base and associated consumer report. The knowledge base would provide detailed information on system requirements, operational design, product features, and consumer satisfaction (3rd Quarter FY 1999).

The JFMIP PMO's value adding role to agencies would be to provide confidence that financial management software packages were capable of meeting federal requirements. The testing associated with implementation in agency environments — including the hardware, software, people and platforms — would remain an agency responsibility. Also, the testing and certification process and the knowledge base will give important tools to achieve successful acquisition and implementation of core accounting system. However, these tools must be complemented by acquisition strategies and incentives to achieve rapid implementation and minimize customization.

While the reengineering of FMSS arrangements is the PMO's first priority, other envisaged tasks include:

- the expansion of the PMO's role beyond core financial management systems to the development of requirements and subsequent testing of COTS products for their feeder systems, including financial systems, mixed systems and Executive Information Systems (EIS). JFMIP requirements for some feeder systems need updating (e.g. Travel and Personnel-Payroll), while others have yet to be developed (e.g. Grants and Acquisition);
- communicating standard interfaces to core financial systems to support

billings for charge card transaction for both inter/intra government transactions and commercial purchases;

- providing a customer service focus by: addressing requests from vendors and agencies for developmental assistance; and assisting vendors to understand the government's requirements and standards; and
- coordinating a users' group to bring agencies and vendors together to discuss requirements and capabilities.

Exploit Information Technology to Improve Communications

In order for JFMIP to leverage limited resources while performing enhanced roles, it must make better use of modern communication tools. Currently, the JFMIP information is hosted under FinanceNet as a subsite called “The JFMIP Forum.” The JFMIP forum is designed to:

- Increase the exposure of JFMIP products throughout the Federal financial management community
- Inform the financial management community of JFMIP projects and plans
- Provide timely information about forthcoming financial management activities, events and trends;
- Provide consolidated information on financial management training and education
- Provide electronic access to current JFMIP documents.

JFMIP is working with FinanceNet to improve accessibility, content, and design of its current information. Our goals are to establish a JFMIP URL to facilitate access, i.e., www.JFMIP.gov, develop a logically structured design to create a more consistent and user friendly site; utilize database Internet publishing and search engines to facilitate easier and more effective user information retrieval and website maintenance; cross link JFMIP documents and other references to relevant material and information within and without the site; consolidate and explain file formats for

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better understanding; employ graphics to organize web pages, establish topical sections, explain information, and increase readability, and establish a mechanism to order publications online and provide instructions for JFMIP points of contact, and for off-line ordering of publications. These goals should be accomplished, in cooperation with Financenet, by the first quarter of FY 1999.

Education and Training

Conferences

The JFMIP recently held its 27th Annual Financial Management Conference on *Vision to Reality: Change, Implementation and Result* on March 25, 1998, in Washington, DC. The 1160 attendees heard outstanding speakers and topical discussions on what needs to be done to receive the result that will make the Federal government more efficient and effective in the financial management arena. The JFMIP has worked the Federal Financial Managers Councils for Washington DC, Philadelphia and San Francisco in developing their programs for its annual conferences. JFMIP will be planning its next annual Financial Management Conference starting in August.

Core Competencies in Financial Management for CFO Personnel

The JFMIP has been working in conjunction with the CFO Council Human Resources (HR) Committee, in the development of core competencies documents for financial management personnel and core competencies on financial management for staff working in CFO offices or program offices. Three core competencies documents are being finalized: financial system analysts, financial management for information technology personnel implementing financial systems, and financial management for management analysts and financial specialists. We will serve on the newly established review board that will analyze core competencies for currency. The review board members consist of agency representatives who will look at core competencies for accountants, budget analysts, and financial managers that were published in November 1995.

Education Outreach

JFMIP will be working in conjunction with the CFO Council HR Committee to develop a new electronic calendar of training

for financial management. The new calendar will hyperlink with financial management training vendors so that users can obtain reliable information in a more timely fashion. We will also be working to post electronically on FinanceNet "best practices" on what agencies have done to recruit, retain and develop human resources in the Federal financial management community. Other best practices in the financial systems, GPRA implementation, financial management practices and other areas will also be posted electronically.

JFMIP Developmental Opportunities:

The JFMIP hosts a number of personnel in developmental assignments. This is an ideal place for candidates in the Women Executive Leadership (WEL) Program, CFO Fellow Program, and agency detailees to gain a broad perspective of how the Federal financial management policies and practices are developed and implemented. JFMIP provides an excellent opportunity for personnel to experience how central government agencies operate and how Federal government agencies are improving and implementing financial management systems. These jobs allow the individuals to meet and work with the movers and shakers in the Federal financial management (CFOs, IGs, and central agency officials).

Summary

This article highlights the current and future JFMIP activities. Future editions of the JFMIP News and information on JFMIP website will report on the progress of these many activities. If you have any suggestions or comments, please contact us by telephone 202/512-9201, fax 202/512-9593 or email <aldermank.jfmip@gao.gov> □

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benefits for retired, terminated, and inactive employees, and (4) losses in litigation proceedings. OMB has provided guidance stating that these are the only inter-entity costs required for fiscal years 1998 and 1999 statements. James Short, AAPC member from OMB, will chair the task force looking into this issue. FASAB staff member Richard Mayo along with representatives from other organizations will also serve on the task force. □

GSA Awards Six Contracts for Charge Cards

General Services Administration (GSA) has awarded six new contracts for Federal government charge cards bringing Federal agencies closer to a single payment system for multiple services, including purchases, travel and fleet. With the potential contract length of ten years, this action could generate charges totalling \$100 billion.

Contracts for travel-related payment services were awarded to American Express, Citibank, NationsBank, and US Bank. The purchase card contracts were awarded to American Express, Citibank, First National Bank of Chicago, Mellon Bank, NationsBank, and US Bank (formerly Rocky Mountain BankCard). Fleet card services will be available from American Express, Citibank, and US Bank. These services for purchase, travel, and fleet are currently provided by three separate contractors. Under the new contracts, an agency could choose to receive more than one service from a single vendor.

American Express, Citibank, First National Bank of Chicago, NationsBank, and US Bank were awarded contracts that integrated two or more services. Such integration might include administrative functions like account set-up and maintenance and financial processes like reconciliation, reporting, and invoicing. Agencies, therefore, could process account set-up through a single system and receive combined reports.

On April 29, 1998, American Express issued a press release announcing that it will not pursue Federal government business for the purchase and travel card business lines under its recently awarded master contract. American Express will, however, continue the travel card contract which expires November 29, 1998.

By doubling the number of companies that could issue the so-called government purchasing cards, GSA hopes to get more Federal employees to use plastic for routine purchases. Federal employees would be able to buy everything from office supplies to airline tickets for government business. Unlike credit cards, these charge cards must be paid off on a regular basis.

GSA believes that these contracts represent another step in simplifying government financial transactions and saving on administrative costs, while offering agencies broad choices in card-based services. If agencies had more options, they could have used cards more, saving more in administrative costs and generating additional rebates. Agencies can now negotiate special incentives that could generate millions of dollars in additional funding for the agencies.

The new contracts will be effective November 30, 1998, and run for five years, with five additional one-year options. They cover expenditures that were valued at more than \$8.5 billion in fiscal year 1997. Use of the travel and purchase card generated more than \$2 million in refunds to the government in fiscal year 1997. The purchase card generated savings in administrative costs of \$616 million during the same period. Currently there are 2 million charge cards in use by Federal employees.

GSA's current contracts will expire on November 29, 1998. Agencies will spend the next several months identifying their requirements for the future and selecting the vendor that can best meet them.

For more information about the new contracts, call Rebecca Keser at (703) 305-6681 or email her at rebecca.keser@gsa.gov. □

CFO Fellows

The Chief Financial Officers Council recently announced the selections of its CFO Fellows. The Program under the CFO Human Resources Committee and administered by the Graduate School, Department of Agriculture (USDA) is designed to provide developmental opportunities for future financial leaders. The CFO Fellow works at a host agency for a year. The host agency has created a formal plan of developmental projects. The CFO Fellow attends monthly financial and leadership training sessions. The CFO Fellows and the organizations they are detailed for the upcoming year:



Ralph Beatty, Department of Agriculture
Chandler (Russ) Gardiner, General
Services Administration

Willa Green, Department of Labor

Thaddeus (Ted) Kontek, Environmental
Protection Agency

Margaret Myers, Department of Veterans
Affairs

Richard (Rick) Noll, Defense Finance and
Accounting Service

Debra Watson, National Science
Foundation

Betty Webber, Department of Agriculture

Betty White, Joint Financial Management
Improvement Program

Betty J. White, previously a supervisory accountant in the Chicago office of the Environmental Protection Agency (EPA), is a Chief Financial Officers (CFO) Fellow detailed to JFMIP for the next 13 months. Ms. White was selected from the first annual CFO Fellows Program. Ms. White will be participating in the CFO Financial Systems Committee and JFMIP jointly sponsored project on reengineering the Financial

Management System Software (FMSS) schedule and the new testing and certification of the financial system software for the Federal government. She will be working on the development of system requirements for grants. Starting with the summer issue of the JFMIP News, she will be the soliciting editor.

Ms. White has 18 years of experience in governmental accounting and auditing. She has served as Assistant Chief Accountant and an auditor at the Department of Veterans Affairs, a systems accountant at the Department of Defense, and a Financial Management Officer at EPA. She has a BSBA in accounting from Roosevelt University in Chicago, Illinois and a MBA from Governors State University in Park Forest, IL. □

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financial management in the future will be those who have multi-disciplinary skills. These workers will understand, for example, the accounting and the budget processes, will understand the elements of cost accounting as well as operational accounting, and will have experience in programs. He emphasized that this applies not only to different types of functional experience within financial management, but that it would also be beneficial for individuals to have those experiences across organizations.

Managerial cost accounting is the latest on the scene of new financial management requirements. Like other new accounting standards, Mr. Bresnahan views managerial cost accounting as having many potential benefits from the standpoint of accounting discipline and overall financial integrity. Mr. Bresnahan believes managerial cost accounting will only be valuable to people if they see it as having day-to-day utility. If understanding the unit cost of something in

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With the passage of the Debt Collection Improvement Act in 1996, Treasury established a program known as EFT 99 to implement it. As a result, approximately 64% of the value moved out of the government will be done electronically this fiscal year. The statistic includes tax payments which are not part of the legislative mandate. Treasury has set a goal of higher goals for the next two fiscal years. To reach this goal, Treasury must have an electronic transaction account (ETA) available for individuals who do not have a bank account; a very strong national education campaign which focus on the benefits of electronic funds transfer; and continue to work with the IRS towards an electronic mode for tax refunds.

Treasury FMS is exploring and stockpiling the benefits of new and innovative electronic products. One called the electronic check or "E check" is an electronic payment instrument modelled on the paper check. The E check is a digital document using a digital signature with delivery via the secure Internet E-mail. E check also allows the payment information to move without moving through the banking process or the ACH. The potential users of the E check are small to medium size vendors.

In the area of smart card technology, FMS is pilot testing systems in different environments (for example, cards with Personal Identification Numbers (PIN), cards without PINs, cards that are multi-functional, cards that serve a payment function, and cards that serve a collection function). Another pilot is looking into biometrics, using finger prints for security. Treasury needs to test different technologies. It needs to compare these different options for conducting the government business, and to gauge the success of the pilots on the convenience to their customers, the sufficiency of the accompanied payment related data, cash management issues, and the cost of using these different alternatives. At the same time, FMS would like to ensure that the confidentiality and privacy of individuals are properly protected and that the value itself is secure. □

Federal Website for States and Localities

Morely Winograd, Vice President Al Gore's Senior Policy Advisory was the emcee during a demonstration of the U.S. State and Local Gateway on January 23, 1998. The Gateway was unveiled at the Indian Treaty Room of the Old Executive Office Building.

The U.S. State and Local Gateway is a new one-stop website and a new on-line computer service directly linking the Federal government to state and local government employees. It offers user-friendly features including links to other customers one-stop website, a reference room, most frequently requested information, direct e-mail to those who maintain the subject pages, a site map for easy navigation, and links to state and local government home pages. The website is located at: www.statelocal.gov.

Beverly Yates, team leader, National Performance Review, and fifty Federal workers from seventeen agencies make up the Gateway interagency team. The Gateway team members organized the website according to the subjects most in demand. The Department of Housing and Urban Development is the host agency with partners known as the "Big Seven." They include: the U.S. Conference of Mayors, the Council of State Governments, the International City/County Management Association, National Association of Counties, the National Council of State Legislators, the National Governors' Association, and the National League of Cities. The Federal agencies include: the Departments of Agriculture, Commerce, Education, Energy, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, Transportation, Treasury, and Veterans Affairs. Other agencies are: Environmental Protection Agency, Federal Emergency Management Administration, National Archives Administration (Office of Federal Register), and U.S. Army Corps of Engineers.

Each Federal agency has a subject leader. They include:

- Sally Matthews email: sally.matthews@gsa.gov

- Communities/Commerce: Candi Harrison email: Candis.B.Harrison@hud.gov
- Disasters/Emergencies: Marc Wolfson email: marc.wolfson@fema.gov
- Education: Kirk Winters email: kirk.winters@ed.gov
- Environmental/Energy: Maggie Thielen email: thielen.maggie@epamail.epa.gov
- Families/Children: Dana Colarulli email: dcolarulli@acf.dhhs.gov
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- Money Matters: Aurora Kassalow email: aurora.kassalow@fms.sprint.com
- Public Safety: Karen Evans email: karen.evans@usdoj.gov
- Transportation/Infrastructure: Bob Hayes email: robert.hayes@fhwa.dot.gov
- Workforce Development: George Koch email: kochg@doleta.gov

Other questions may be directed to Nancy Singer at NPR, 202/632-0174 or Beverly Yates, 202/632-0374. □

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your work environment helps you to make a decision or helps you allocate resources effectively, then clearly the information will be welcomed; in fact, he says, the information will be demanded. He stressed the importance of the financial management community educating others about the value of managerial cost accounting, then stepping back to listen and understand what information would be valuable.

Mr. Bresnahan believes the heightened awareness of financial management that has brought about the new legislation is beneficial. "Financial management needs cannot overwhelm the underlying missions of government, but the financial management aspects of delivering those missions must always be a legitimate part of the framework," he explained. His hope is that financial and program managers are brought together to develop the best ways to deliver that mission, the best ways to report results and

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the best ways to project financial resource needs of the future.

A strong proponent of standardized core requirements for financial systems, Mr. Bresnahan stressed that we cannot continue to indefinitely create unique accounting systems in every installation around government. He believes standardization would also give vendors a clearer picture of the government's requirements. Mr. Bresnahan anticipates systems soon becoming sufficiently standardized that any agency could use any of a number of systems and get comparable results. He fully endorses JFMIP's efforts to build a framework to support standardized core requirements for financial systems.

If he could make one change that would improve the role of financial managers it would be to increase the collaboration between financial managers and program managers. He sees a need for cultural and perception changes on both sides. "Where organizations have crossed this threshold, it has resulted in a stronger partnership and better mission delivery overall," Mr. Bresnahan said.

Mr. Bresnahan is optimistic about the opportunity to make substantive improvements in human resources in financial management governmentwide. He said OPM has been very receptive to the needs the CFO community has identified and is willing to work with them to make the necessary changes. □

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Debt Accounting accounts for the Federal government's \$5.3 trillion public debt and the processing of more than \$20 trillion in security transactions each year. Ms. Hines directed the effort to transfer the Public Debt accounting operations from Washington, DC, to Parkersburg, West Virginia within one year. She also streamlined the reporting and accounting processes used by the Federal Reserve Banks throughout the country to process and report billions of dollars of public debt transactions each day. These changes produced significant cost savings and processing efficiencies. She was also recognized for her leadership in managing several critical Treasury operations which were recently transferred to her Office.

Lana Hurdle was recognized for her outstanding leadership and innovative thinking that resulted in savings and significantly improved financial management and internal controls at the Peace Corps. Under her direction, the Peace Corps implemented a plan four months after it was approved by the Director, to provide financial management processing for its own posts. These services will be done faster, better and cheaper. As a result of her efforts, the International Financial Operations Office at the Peace Corps provides financial management services to 35 Peace Corps overseas posts located in the Caribbean, Central and South America, Asia and the Pacific, and Russia. Her experiment was so successful that plans

are underway to expand these services to all of the Peace Corps in Africa, Europe, and Central Asia. Ms. Hurdle directed other innovative projects at the Peace Corps such as streamlining the agency's complex Integrated Planning and Budget System, and implementing the new financial management system.

Mark Murray was recognized for exceptional and sustained leadership in improving budgeting and financial management in the State of Michigan, and his contributions to Michigan's financial operations during his 20-year career with the State. One of his major accomplishments was the resolution of a long-standing lawsuit against the State, known as the "Durant" case that involved a potential liability for the State of more than \$3 billion. The settlement that resulted will allow more than \$1 billion to be invested in education to improve Michigan schools. He also led the State's effort to negotiate a landmark agreement with hospitals and the Federal government to make sure that Michigan's neediest citizens gained access to much-needed medical care. Under Mr. Murray's leadership as Director or Deputy Director of the Department of Management and Budget, Michigan balanced six state budgets in a row. At the same time, more than \$1 billion has been deposited in the Budget Stabilization Fund — the Rainy Day Fund. Mr. Murray is currently the Associate Vice President for Business and Finance at Michigan State University. □

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For the balance of financial systems requirements, JFMIP will be working with agencies to update some of the currently issued requirements, to take account of legislative and other changes. Examples are the payroll/personnel and travel systems requirements. JFMIP also needs to develop those systems requirements where none currently exist. To do this, JFMIP will be calling on those agencies who are major providers or users of such systems to form affinity groups to establish these systems requirements. Mr. DeSeve acknowledged that developing some of these requirements will not be easy, and offered his authority to ensure that the process moves along.

JFMIP's role would be in flow control and as network administrators. Mr. DeSeve requested that Federal financial managers take the lead in drafting these systems requirements. □

Report on JFMIP Annual Financial Management Conference

Inside this Issue

JFMIP wishes to acknowledge and thank the following contributors to this issue:

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